

FILE COPY - COMP. GEN.

May 29, 1959

Honorable Paul J. Kilday, Chairman
Special Subcommittee, Central Intelligence Agency
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

On May 15, 1959, Mr. A. T. Samelson, Director of our Civil Accounting and Auditing Division, attended an executive meeting of your Subcommittee to discuss our audit responsibilities and activities at Central Intelligence Agency. At the conclusion of this meeting, it was suggested that recommendations be submitted for the future audit activities by the General Accounting Office at this Agency.

Following the enactment of the Central Intelligence Agency Act of 1949, the then Director of the Agency requested that notwithstanding the very broad and unusual powers granted to the Central Intelligence Agency by the Act on audit of expenditures at the site, as previously performed by the General Accounting Office, be continued. Accordingly, the General Accounting Office has continued to make audits of vouchered expenditures, under the same arrangements that were in effect with the predecessor Central Intelligence Group. However, in view of the provisions of section 10 of the Central Intelligence Agency Act, no exceptions have been taken to any expenditures. In those cases where questionable payments come to our attention, we refer the cases to the CIA Comptroller's Office for corrective action. In using the term questionable payments, we mean any expenditures which, except for section 10 (a) of the Act, would appear to be improper or illegal either under law or under the decisions of the Comptroller General. In our audit work, we have not made a substantive review of Agency policies, nor of its practices and procedures, and we have made no audit of expenditures of unvouchered funds.

Since the enactment of Central Intelligence legislation, we have generally broadened the type of audit we make of the activities of most Government agencies. Under our comprehensive audit approach, our basic purpose is to review and evaluate the manner in which the agency or activity under audit carries out its financial responsibilities. We construe financial responsibilities as including the expenditure of funds and the utilization of property and personnel in the furtherance only of authorized programs or activities in an effective, efficient, and economical manner. In carrying out this kind of an

audit, we examine the organization structure and review the established agency policies for conformity with legislative intent and applicability to agency activities. We also examine agency practices and procedures followed in carrying out the agency policies and make selective examinations of actual transactions as a means of appraising the application of agency practices and procedures. Reports on the results of our work are submitted to the Congress and to agency management officials.

We believe that a broader type of audit is appropriate for our work at Central Intelligence Agency and is more likely to be productive of evaluations of the administrative functions which would be helpful to the Congress and the Agency Director. We have accordingly concluded that it would be desirable to expand our audit work at Central Intelligence Agency more in line with our regular comprehensive audit approach. The expanded work would include an examination of vouchered expenditures, and, at the outset, the controls and procedures used in processing unvouchered expenditures. Also we would propose to make a limited examination of the support for unvouchered expenditures in accordance with such agreement as to access as can be worked out between CIA and our Office. As indicated by the preceding comments we have heretofore carried out only limited audit work at CIA, and we do not believe such limited work should be continued.

At this time we do not recommend any change in section 10 of the Central Intelligence Agency Act. We believe, however, that your Subcommittee could be very helpful in effecting a change in the scope of our audit work at CIA by advising the Agency of your interest in broadening the audit performed by the General Accounting Office. Any broadening of our audit activities should not include an evaluation of the intelligence activities of the Agency.

We are prepared to discuss this matter further at your convenience.

Sincerely yours,

JOSEPH CAMPBELL

Comptroller General
of the United States



CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

OCT 20 9 01 AM 1959
OFFICE OF THE DIRECTOR*H. Samuelson*
H. Kellenberg

B-133200

10 OCT 1959

The Honorable Joseph Campbell
The Comptroller General of
the United States
Washington 25, D.C.

RECEIVED
INDEX

OCT 21 1959

G.A.O.

Dear Mr. Campbell:

Since we had the pleasure of briefing you on 30 July, we have discussed further with Mr. Samuelson how the General Accounting Office's audit of this Agency might be improved. I believe that the General Accounting Office can expand its current audit activities in a considerable portion of the Agency, and in moving forward in this direction I feel that we should reach agreement on certain fundamental aspects.

In the Central Intelligence Agency Act of 1949, the Congress, recognizing some of the unique problems involved in the conduct of intelligence activities, provided broad authorities over the expenditure of and accounting for Agency funds. In particular, Section 8 of that Act (formerly Section 10) provides that expenditures for objects of a confidential, extraordinary, or emergency nature are "to be accounted for solely on the certificate of the Director and every such certificate shall be deemed a sufficient voucher for the amount therein certified." This wording does not contemplate the review of expenditures which the Director certified were made for confidential, extraordinary, or emergency purposes.

While all funds appropriated to the Agency are technically on an "unvouchered" basis, it has been my policy and that of my predecessors to limit the exercise of this special authority to those activities which in the national interest should have the maximum security protection. To the extent possible Agency funds are expended under the other provisions of the Central Intelligence Agency Act and the vouchers for these expenditures are available to the General Accounting Office. This policy has been exercised to such a degree that certain activities, not in themselves sensitive but conducted solely in support of highly

confidential operations, are funded under general authorities without invoking my special authority to make final accounting therefor. A comprehensive audit of the sort now conducted by the General Accounting Office in other agencies, if applied to our so-called vouchered expenditures, would necessarily reach into the confidential operations which they support and which are protected by my special authority under Section 8 of the Act. In these instances, therefore, the comprehensive audit would have to be limited so as to remain outside the area of sensitive security operations.

In view of the statutory background, I trust that you will agree with the position set forth above. If you have any question I would be delighted to discuss the subject with you at your convenience. If we are in agreement on these fundamental principles, I suggest that your representatives continue to explore with my Staff the manner in which the scope of the General Accounting Office's audit of the Agency may be broadened, consistent with the security requirements described above.

Sincerely,

A handwritten signature in dark ink, appearing to read "Allen W. Dulles", written over a printed name.

Allen W. Dulles

Director



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

B-133200

October 21, 1959

FILE COPY - COMP. GEN.

Honorable Paul J. Kilday, Chairman
Special Subcommittee, Central Intelligence Agency
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

Enclosed for your information is a copy of a letter to Mr. Allen Dulles, Director, Central Intelligence Agency, on the proposed extension of the audit at Central Intelligence Agency. In this letter we state we are willing, on a trial basis, to broaden our activities at Central Intelligence Agency within certain principles outlined in Mr. Dulles' letter of October 16, 1959.

Sincerely yours,

Joseph Campbell

Comptroller General
of the United States

Enclosure



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

B-133200

October 21, 1959

Honorable Allen Dulles, Director
Central Intelligence Agency

FILE COPY - COMP. GEN.

Dear Mr. Dulles:

Your letter dated October 16, 1959, concerning a proposed extension of our audit of Central Intelligence Agency has been reviewed, and further discussions have been had between representatives of this Office and your Staff.

Your letter notes the unique problems involved in the activities of the Central Intelligence Agency and the broad authorization given you over the expenditures of and accounting for Agency funds. In recognition thereof, you indicate that an audit of the Central Intelligence Agency would have to be limited to reviews outside the area of sensitive security operations on:

- (1) Expenditures certified by the Director under Section 8 of the Central Intelligence Agency Act of 1949, as amended.
- (2) Certain activities in support of confidential operations protected by your authority under Section 8.

We agree that to the extent expenditures are certified by you as confidential, extraordinary, or emergency nature, such expenditures are not subject to examination by us without your concurrence.

In our comprehensive audits, we examine the organization structure, agency policies, and agency practices and procedures, together with a selective examination of actual transactions as a means of appraising the application of agency practices and procedures. As a result of the discussions with your Staff it seems possible for the General Accounting Office to expand its audit at the Central Intelligence Agency into a considerable part of the Agency's activities, even though our reviews would be outside the area of sensitive security operations. Despite the limitation, we believe as a result of the reviews we could make that we would be in a position to make evaluations of a substantial part of the administrative functions.

The Central Intelligence Agency presents problems on sufficient breadth of coverage and review of detail for the purpose of reaching sound evaluations, but we are willing to broaden our activities at Central Intelligence Agency within the principles expressed in your letter. However, in the event it appears after a trial period that our reviews are limited to such an extent that we cannot effectively and constructively accomplish any worthwhile objectives, we will have to consider whether the audit should be continued.

On the basis of the above, we are willing to have further discussions with your Staff in order that the audit may proceed.

Sincerely yours,

Joseph Campbell
Comptroller General
of the United States



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

B-133200

MAY 16 1951

COMP. GEN.
FILE COPY

Honorable Allen Dulles, Director
Central Intelligence Agency

Dear Mr. Dulles:

The General Accounting Office has completed a review of selected overt activities of the Central Intelligence Agency. Based on this review, we believe that under existing security restrictions on the General Accounting Office audit of CIA activities, we do not have sufficient access to make comprehensive reviews on a continuing basis that would be productive of evaluations helpful to the Congress.

Our review of selected overt activities in the Intelligence Component disclosed certain matters that were brought to the attention of CIA officials, and we were advised by them that corrective action on these matters is to be taken, or is presently under consideration by CIA.

I wish to acknowledge the cooperation of CIA officials in taking various steps to place the General Accounting Office in a position to make a comprehensive audit of the overt activities of CIA.

Transmitted herewith is a copy of a letter sent today to the Chairman, Special Subcommittee, Central Intelligence Agency, Committee on Armed Services, House of Representatives, presenting the results of our review.

Sincerely yours,

Joseph Campbell

Comptroller General
of the United States

Attachment

MAY 16 1961

Walter Paul J. Kilday, Chairman
Special Subcommittee, Central Intelligence Agency
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

The General Accounting Office has made a review of selected activities of the Central Intelligence Agency (CIA) for the purpose of determining whether the scope of the audit of the General Accounting Office could be expanded sufficiently to make reasonably comprehensive evaluations of CIA activities that would be helpful to the Congress.

This review was made pursuant to the interest indicated by the Special Subcommittee at an executive hearing in May 1959. Following several meetings between representatives of the General Accounting Office and CIA, the Director of Central Intelligence and the Comptroller General in October 1959 had an exchange of correspondence concerning the audit and concerning restrictions on undertaking reviews in the area of sensitive security operations. Various steps were taken by CIA to place the General Accounting Office in a position to make a comprehensive audit of the overt activities of CIA. It is our view, however, that under existing security restrictions on our audit of CIA activities, we do not have sufficient access to make comprehensive reviews on a continuing basis that would be productive of evaluations helpful to the Congress.

We limited our review to selected overt activities as access to the covert (confidential) activities of CIA was denied us. We have had no access whatsoever to the Plans Component, and we cannot effectively review and evaluate the activities of the Support Component because the confidential and overt activities of this component are integrated to such an extent that we cannot make reasonably comprehensive audits. We have been given sufficient access to make reasonably comprehensive reviews of the overt activities of the Intelligence Component, but such reviews, in our opinion, will not be productive of significant evaluations because we cannot possibly evaluate the extent to which needed overt information is available for collection or determine the need for the intelligence information selected for collection and use in the production of intelligence reports. About 50 percent of the annual expenditures of the Intelligence Component relates to payroll and other contractual payments for personal services rendered in collecting on the basis of personal judgment under broad guidelines established by the intelligence community the specific information to be collected, collated, and used in the production of intelligence reports.

Based on our review, we believe that (1) CIA is financing certain Library of Congress activities which substantially transcend CIA's interest and responsibility for providing a centralized reference service as a service of common concern to the intelligence community and (2) administrative controls over CIA's covert field organization, the U.S. Joint Publications Research Service, should be strengthened. In addition, we have questioned the arrangements under which CIA is financing certain activities at the Department of State.

Two projects at the Library of Congress, the Monthly Index of Russian Accessions and the East European Accession Index, are being financed through the operating budgets of the Office of Central Reference. The budget of this office includes \$665,000 to finance these projects in fiscal year 1961. The projects produce publications which are primarily distributed to public and private research organizations and libraries in the United States and many foreign nations, including some in the U.S.S.R. and its satellites. These projects, in our opinion, substantially transcend CIA's interest and responsibility for providing a central reference facility as a service of common concern to the intelligence community.

We have been advised by CIA that based on a review of the needs of the intelligence community, it has been determined that the present published form of these indexes is not essential for intelligence purposes, but, there are portions of the research work that goes into the preparation of the indexes that CIA would want to continue, and the matter is under active consideration to determine what portion of the related costs should continue to be financed by CIA.

Certain administrative procedures pertinent to CIA's control over the activities of its covert field organization, the U.S. Joint Publications Research Service, should be strengthened. We have been advised by CIA that changes are to be made which will strengthen these controls.

Two projects at the Department of State, the National Intelligence Survey and Biographic Intelligence, are being financed by CIA through the operating budgets of the Office of Central Reference and the Office of Basic Intelligence. The budgets of the two offices include \$2,417,000 to finance these projects in 1961. In April 1961, we were advised by CIA that the Department of State and CIA have been considering the possible transfer of these Department of State activities to CIA. CIA presently has under consideration other matters raised by us on these financing arrangements, and we will furnish you with a supplementary letter when decision has been reached thereon.

In as much as we cannot, in our opinion, effectively accomplish any worthwhile audit objectives on a continuing basis, we plan to discontinue our audit of CIA activities.

We are prepared to discuss these matters with you should you so desire.

A copy of this letter is being sent today to the Director of Central Intelligence.

Sincerely yours,

W. Joseph Campbell

Comptroller General
of the United States



CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

OFFICE OF THE DIRECTOR

MAY 18 10 13 AM 1961

17 May 1961

The Honorable Joseph Campbell
Comptroller General of the United States
Washington 25, D.C.

12

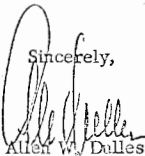
Dear Mr. Campbell:

I have your letter of 16 May 1961 enclosing a copy of your letter of the same date to the Honorable Paul J. Kilday with regard to your review of selected activities of the Central Intelligence Agency for the purpose of determining whether the scope of the audit of the General Accounting Office could be expanded.

I wish to express my appreciation for your cooperation and understanding since our exchange of correspondence in October of 1959 which formed the basis on which we have jointly attempted to expand GAO audit activities in the Central Intelligence Agency. The reviews made by your representatives have brought a number of matters to our attention which have been helpful and on which corrective action either has been or is being taken.

I believe that over the years the audit of Agency activities by the General Accounting Office has been most beneficial and regret that you plan to discontinue it completely. Before final action is taken I should like very much to discuss with you the possibility of your continuing an audit on some scale.

Sincerely,


Allen W. Dulles
Director

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SUITE 313, HOUSE OFFICE BUILDING
WASHINGTON 25, D.C.

May 18, 1961

CONFIDENTIAL

MAY 18 4 08 PM '61

ROBERT W. SMART, CHIEF COUNSEL

Honorable Joseph Campbell
Comptroller General of the United States
Washington 25, D. C.

Dear Mr. Campbell:

This is with reference to your letter of May 16 to Honorable Paul J. Kilday, Chairman, Subcommittee on the Central Intelligence Agency, Committee on Armed Services.

Mr. Kilday and I have discussed the contents of your letter at some length and in view of the course of action which you contemplate, I feel it incumbent upon me to promptly express my judgment on this matter.

As you know, Mr. Kilday's Subcommittee gave considerable attention to the audit conducted by the General Accounting Office of the Central Intelligence Agency. It was fully recognized that there were certain restrictions on the scope of the audit by the General Accounting Office, which restrictions were inherent in a relationship of this nature. However, the Subcommittee was of the firm opinion that even a limited audit of overt accounting actions would serve a worthwhile purpose. In furtherance of that judgment, the Subcommittee concluded that the limitations which were inherent required more experienced representatives of your office than had been assigned to this function. The Committee was gratified that you concurred in that judgment and improved the quality of the representatives so assigned.

I am of the firm opinion that the points which you raise in your letter to Mr. Kilday should be the subject of further discussions between the Committee, the General Accounting Office, and the Central

May 18, 1961

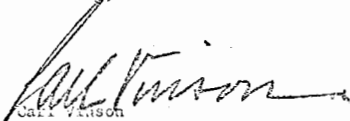
Intelligence Agency. Pending the completion of those discussions, I can not recommend too strongly against the course of action which you propose in the final paragraph on page two of your letter. I know you must fully appreciate that there are other overriding considerations which can not be divorced, under prevailing circumstances, from any change in the existing relationship between your office and the Central Intelligence Agency.

I trust you will agree with my firm belief that there is nothing in this situation which requires precipitous action. On the other hand, I want to assure you that the matters set forth in your letter will be the subject of further consideration by Mr. Kilday's Subcommittee, in full consultation with your office, at a time which better accommodates the overriding requirements of national interest.

I would appreciate a response to this expression of my views.

With kindest regards, I am

Sincerely,



Carl Vinson
Chairman



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

B-133200

MAY 23 1961

Honorable Carl Vinson, Chairman
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

We acknowledge your letter dated May 18, 1961, responding to our letter of May 16 to the Honorable Paul J. Kilday, Chairman, Subcommittee on the Central Intelligence Agency, Committee on Armed Services, relating to our reviews at the Central Intelligence Agency.

We are mindful of the interest in our reviews at CIA as expressed by Chairman Kilday and members of his Subcommittee to a representative of our Office at an executive meeting on May 15, 1959. After considering these views we informed Chairman Kilday by letter dated May 29, 1959, that we believed a broader type of audit more in line with our regular comprehensive audit approach was appropriate for our work at CIA. The expanded work would include an examination of vouchered expenditures, and, at the outset, the controls and procedures used in processing expenditures. In addition, we would make an examination of the support for unvouchered expenditures in accordance with such agreement as to access as could be arranged between CIA and our Office. We also stated in this letter that heretofore we had carried out only limited audit work at CIA and that we did not believe such limited work should be continued.

Following several meetings with the Director, Central Intelligence Agency, and members of his staff, we exchanged correspondence in October 1959 which in essence recognized that an audit of Central Intelligence Agency would have to be limited to reviews outside the areas of sensitive security operations on:

- (1) Expenditures certified by the Director under Section 8 of Central Intelligence Act of 1949, as amended.
- (2) Certain activities in support of confidential operations protected by the authority to the Director under Section 8.

14
We agreed that to the extent expenditures were certified by the Director as being of a confidential, extraordinary, or emergency nature, such expenditures were not subject to examination by the General Accounting Office without the concurrence of the Director. Nonetheless, we were willing to broaden our activities at CIA within the principles laid down by the Director in his letter of October 16, 1959, but we stated in our reply dated October 21, 1959, that in the event it appeared after a trial period our reviews were limited to such an extent that we could not effectively and constructively accomplish any worthwhile objectives we would consider whether or not the audit should be continued.

During the ensuing 18 months we undertook to make reviews of selected overt activities as access to the covert activities was not made available to us. In this connection, access to the activities of the Support Component in which we could be expected to be most effective in our reviews was significantly limited because covert and overt activities of this component are integrated. We were not able to review sufficiently financial management, property management, procurement, and similar activities for any effective appraisal of the administration of these activities. Our access for a review of the internal audit program and reports was very limited and we had no access whatever to the work of the Inspector General; therefore, we were not able to appraise the internal review mechanisms within the Agency. We have had rather complete access to the activities of the Intelligence Component, but the nature of these activities and the lack of complete access to internal review programs and reports has significantly limited our effectiveness in this area.

In undertaking to broaden our reviews at the Central Intelligence Agency, we recognized that the nature of the activities of this Agency presented problems on sufficient breadth of coverage and review of detail for the purpose of reaching sound conclusions. We made every effort to broaden our review of the activities of the Agency within the limitations which were placed on us, and we wish to assure you our conclusion that we could not effectively accomplish any worthwhile audit objectives at CIA on a continuing basis was reached only after considering all the factors as we saw them. However, having in mind your firm belief that our work should not be discontinued we will continue our limited program.

We note from your letter that Chairman Kilday's Subcommittee will further consider the contents of our letter of May 16, and we shall be prepared to meet with him and the members of his Subcommittee at their convenience.

Sincerely yours,

JOSEPH CAMPBELL

Comptroller General
of the United States



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

B-133200

MAY 23 1961

Honorable Allen Dulles, Director
Central Intelligence Agency

Dear Mr. Dulles:

We acknowledge your letter dated May 17, 1961, responding to our letter of May 16 to you relating to our reviews at the Central Intelligence Agency.

We acknowledge also your appreciation in our joint attempt to expand the General Accounting Office activities at the Central Intelligence Agency and your comment that the reviews made by our representatives have been helpful. As noted in our letter of May 16, 1961, we do not believe that we have had sufficient access to permit us to make reviews sufficient in scope to be helpful to the Congress and for this reason we planned to discontinue the audit at this time. Your letter notes that over the years the work of the General Accounting Office has been most beneficial to you.

We believe it is appropriate here to clarify the scope of our work program preceding the reviews that were undertaken following our exchange of letters in October 1959.

Following the enactment of the Central Intelligence Agency Act in 1949, the then Director of the Agency requested that notwithstanding the very broad and unusual powers granted to the Central Intelligence Agency by the act an audit of expenditures at the site as previously performed by the General Accounting Office be continued. Accordingly the General Accounting Office continued to make audits of vouchered expenditures under the same arrangements that were in effect with the predecessor Central Intelligence Group. In view of the provisions of Section 8 of the Central Intelligence Agency Act no exceptions were taken to any expenditures but questionable payments coming to our attention were referred to the CIA Comptroller's Office for corrective action. We did not make a substantive review of Agency policies nor of its practices and procedures and we made no audit of expenditures of unvouchered funds.

However, at the time of the enactment of CIA legislation in 1949 we were in the process of applying the comprehensive audit approach to the activities of most Government agencies. Under this audit approach our basic purpose is to review and evaluate the manner in which the agency or activity under audit carries out its financial responsibilities. We construe financial responsibilities as including the expenditure of funds and the utilization of property and personnel in furtherance only of authorized programs or activities in an effective, efficient and economical manner. In carrying out this type of audit we examine the organization's structure and review the established agency policies for conformity to legislative intent and applicability to agency activities. We also examine agency practices and procedures followed in carrying out the agency policies and make a selective examination of actual transactions as a means of appraising the application of agency practices and procedures. It was this kind of a review that we proposed for the Central Intelligence Agency in accordance with whatever agreement we could reach with you as to access to the records. Our work during the last 18 months has demonstrated to us that under existing security restrictions we do not have sufficient access to make comprehensive reviews of CIA activities on a continuing basis that would be productive of evaluations helpful to the Congress.

We deeply appreciate your interest in the possibility of continuing our work at the Central Intelligence Agency on some scale and we are prepared to discuss this prospect at your convenience. For the present and pending discussions with you and appropriate congressional interests, we will continue our limited program.

Sincerely yours,

JOSEPH CAMPBELL

Comptroller General
of the United States



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

B-133200

JUN 21 1962

Honorable Carl Vinson, Chairman
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

By letter dated May 16, 1961, to Honorable Paul J. Kilday, Chairman, Special Subcommittee, Central Intelligence Agency, Committee on Armed Services, House of Representatives, we reported upon our review of selected activities of Central Intelligence Agency (CIA) for the purpose of determining whether the scope of the audit of the General Accounting Office could be expanded sufficiently to make reasonably comprehensive evaluations of CIA activities. In this letter we stated that under the existing security restrictions on our audit of CIA activities we did not have sufficient access to make comprehensive reviews on a continuing basis that would be productive of evaluations helpful to the Congress and that we planned to discontinue the work.

Your letter to us dated May 16, 1961, recommended that the audit not be discontinued at that time and accordingly we have continued our work at CIA despite the severe limitations placed upon us. Our further reviews, confined wholly to certain units in the Intelligence Component, have not resulted in any change in our views that under existing security restrictions on our audit of CIA activities we do not have sufficient access to effectively accomplish any worthwhile audit objectives at CIA on a continuing basis. We are submitting this letter so that you may consider further our views on this matter at this time.

The limitations placed upon our audit activities at CIA are severe. Following several meetings with the Director, Central Intelligence Agency, and members of his staff, we exchanged correspondence in October 1959 which in essence recognized that an audit of CIA would have to be limited to reviews outside the areas of sensitive security operations on:

- (1) Expenditures certified by the Director under Section 8 of Central Intelligence Act of 1949, as amended.
- (2) Certain activities in support of confidential operations protected by the authority to the Director under Section 8.

We agreed that to the extent expenditures were certified by the Director as being of a confidential, extraordinary, or emergency nature, such expenditures were not subject to examination by the General Accounting Office without the concurrence of the Director. The activities in support of the confidential operations embraced practically all of the administrative operations. Nonetheless, we were willing to attempt to make an audit at CIA within the principles stated by the Director in his letter of October 16, 1959, but in our reply dated October 21, 1959, we stated that in the event it appeared after a trial period our reviews were limited to such an extent that we could not effectively and constructively accomplish any worthwhile objectives we would consider whether or not the audit should be continued.

During the ensuing 30 months we undertook to make reviews of selected overt activities as access to the covert activities was not made available to us. In this connection, access to the activities of the Support Component in which we could be expected to be most effective in our reviews was significantly limited because covert and overt activities of this component are integrated. We were not able to review sufficiently financial management, property management, contracting, procurement, and similar activities for any effective appraisal of the administration of these activities. Our access for a review of the internal audit program and reports was very limited and we had no access whatever to the work of the Inspector General; therefore, we were not able to appraise the internal review mechanisms within the Agency. We have had rather complete access to the activities of the Intelligence Component, but the nature of these activities and the lack of complete access to internal review programs and reports has significantly limited our effectiveness in this area.

In undertaking to make reviews at the Central Intelligence Agency, we recognized that the nature of the activities of this Agency presented problems on sufficient breadth of coverage and review of detail for the purpose of reaching sound conclusions. We have made every effort to broaden our review of the activities of the Agency within the limitations which were placed on us, and we wish to assure you that our conclusion that we could not effectively accomplish any worthwhile audit objectives at CIA on a continuing basis was reached only after considering all the factors as we saw them.

To obtain the maximum effectiveness of a General Accounting Office audit of CIA activities, it would be necessary for our audit staff to have nearly complete access to CIA activities. However, we believe it to be possible to perform reasonably comprehensive reviews of CIA activities if we were permitted complete access to the administrative activities, such as financial, procurement, property, and personnel

management and internal review activities that are performed in support of both sensitive and nonsensitive operations of CIA.

We appreciate your interest in our work at CIA and the expression of your views on the discontinuance of our work there is invited. We are prepared to discuss these matters further with you.

Sincerely yours,

Joseph Campbell

Comptroller General
of the United States

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ALEXANDER PINNEY, N.Y.
DURWARD G. HALL, MD.
DONALD D. CLANCY, OHIO
ROBERT T. STAFFORD, VT.HOUSE OF REPRESENTATIVES
COMMITTEE ON ARMED SERVICES
SUITE 317, HOUSE OFFICE BUILDING
WASHINGTON-25, D.C.

ROBERT W. SMART, CHIEF COUNSEL

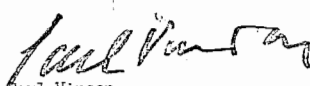
Honorable Joseph Campbell
The Comptroller General
of the United States
Washington 25, D. C.

Dear Mr. Campbell:

I have read your letter of June 21, 1962, concerning the restrictions on your performance of an audit of the Central Intelligence Agency and your opinion that as a result of these restrictions you could not effectively accomplish any worthwhile audit objectives at the Central Intelligence Agency.

I believe the restrictions you met with in the Central Intelligence Agency are necessary for the proper performance of its intelligence activities and should be maintained. Also, Mr. McCone has informed me that among the reorganizational steps he has carried out is a major strengthening of the comptroller and internal audit functions in the Agency. Consequently, I believe you have met the objectives of my letter of May 18, 1961, which recommended that you continue your work in the Agency at that time, and since after this trial period you feel confirmed in your opinion that it is not a worthwhile effort, I will accept your conclusion that you should withdraw from further audit activities in the Central Intelligence Agency.

Sincerely,


Carl Vinson
Chairman



COMPTROLLER GENERAL
OF THE UNITED STATES
WASHINGTON

JUL 26 1962

COMP. GEN.
FILE COPY

Dear Mr. Chairman:

Your letter dated July 13, 1962, on further audit activities by the General Accounting Office at Central Intelligence Agency is acknowledged.

Your acceptance of our conclusion that we withdraw from further audit activities at this Agency is appreciated and we will proceed to complete the work that is in process at a relatively early date.

Sincerely,

Joseph Campbell

Comptroller General
of the United States

Honorable Carl Vinson
Chairman, Committee on
Armed Services
House of Representatives